



KENTUCKY'S FISCAL CRISIS

PREPARED BY THE ADMINISTRATION OF
GOVERNOR PAUL E. PATTON
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EXECUTIVE SUMMARY

During the 1990s the nation and Kentucky experienced an economic boom which generated unsustainable levels of government revenue. Kentucky handled this temporary increase better than many states; cutting taxes, increasing our reserves and investing some of the excess revenue in one-time capital construction projects which will not require recurring appropriations. Therefore, we have been able to delay dealing with our fiscal crisis longer than most other states. We can delay no longer.

In 2000, the General Assembly adopted a progressive budget for fiscal years 2001 and 2002. The economy faltered and in December of 2000 revenue began to fall below estimates. Modest cuts in Fiscal Year 2001 did not affect state government service delivery.

In Fiscal year 2002, due to a \$687.1 million revenue shortfall, Governor Patton cut Medicaid and postsecondary education two percent and all the rest of state government five percent except K-12 education which was not cut.

In the 2002 session of the General Assembly the legislature didn't adopt a budget for fiscal years 2003 and 2004. Governor Patton adopted a spending plan for Fiscal Year 2003 by executive order. This spending plan used existing reserves to maintain government services at the Fiscal Year 2002 level (adjusted for the cuts which had been made). The 2003 session of the General Assembly adopted a biennial budget which Governor Patton refused to sign and criticized as inadequate. This budget increased funding for K-12 education but cut almost every other part of state government, even though it mandated cost-of-living wage adjustments for state and school board employees. Present revenue and budget projections indicate that this budget may have to be cut as much as \$150 million, 2 percent across the board.

As inadequate as Governor Patton believes Kentucky's current budget is, the potential budgets for fiscal years 2005 and 2006 present even greater challenges.

Revenue for Fiscal Year 2005 is estimated to be over \$200 million less than current year budgeted expenditures. The estimated revenue for Fiscal Year 2006 is only \$77 million more than current year budgeted expenditures. And yet, debt service, the cost of health care for public employees, the cost of Medicaid, the cost of the criminal justice system, the increased enrollment in our colleges and universities, the need to continue to invest in infrastructure, the need to invest in our economy, and the need to keep the wages of public employees competitive with the private sector will continue to increase the cost of the current level of services being provided to the people of Kentucky by their state government.

The choice for Kentucky is stark; a major tax increase or a major reduction in the level of services provided by state government.

Efforts to eliminate waste in state government will not solve the problem. While there is no doubt inefficiencies in state government will always be there, the Patton Administration has reduced the state payroll by 2,800 employees (7 percent), and during the past 12 years state employment has gone down 4,600 people, an 11 percent reduction, all the while providing more services to the people of the Commonwealth.

Over the four years of Patton's last term, expenditures have increased 12.5 percent, an average of 3.1 percent per year. Revenue has only grown an average of 1.5 percent per year.

The Patton Administration estimates that in order to maintain the current level of state services revenue will have to be increased \$710 million in Fiscal Year 2005 and \$754 million in Fiscal Year 2006.

The \$500 million in tax cuts which have been implemented during the past eight years has reduced state revenue permanently and yet expenses have not yet been reduced to equal revenue. Current services have been slightly reduced but not nearly by the amount necessary to come into balance. Current services have been sustained primarily by spending down reserves with a big boost from the federal fiscal relief passed by the Congress earlier this year.

In addition to the problems with General Fund revenue, the next administration will have to deal with a revenue shortfall in the Road Fund.

The Road Fund was inadequate to fund over \$215 million of road construction projects scheduled to be built in Fiscal Year 2003 and over the five years remaining in the current Six-Year Road Plan. The shortfall is expected to be about \$1.9 billion, \$1.3 billion of that being 100 percent state funded projects.

While Kentucky's tax on gasoline was about at the national average after it was last increased in 1986, it has fallen to 46th in the nation because it has not been adjusted to account for inflation and the greater miles per gallon of modern motor vehicles. This report calls for the increase of the gasoline to tax to the inflation adjusted 1986 rate and the maintenance of that relative position through cost-of-living adjustments.

In summary, the Governor-Elect faces difficult choices: Draconian cuts in the current level of services being provided to our citizens or major increases in taxes. Governor Patton believes almost all the efficiency efforts in state government have been made and our best option is to restore the revenue which has been lost because of the tax cuts which have been implemented over the past eight years. He and his staff have extensively researched the subject of tax

reform and have a specific plan to restore the state's revenue which the Governor will share with the Governor-Elect.

The Governor-Elect must make the most important decision of his first term within the next few days after the election. Indecision is a decision. Governor Patton stands ready to help with his advice and his influence.

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Table of Contents

Introduction	1
Fiscal Year 2001 Shortfall	1
Fiscal Year 2002 Shortfall	1
Fiscal Year 2003 Shortfall	2
Fiscal Year 2004 Shortfall	2
Personnel	4
Medicaid	7
The Next Biennium.....	8
Is the State Spending Too Much?	12
Revenue Permanently Lower	15
The Road Fund	18
Summary	19
Appendix 1: Structural Budget Imbalance Analysis	21
Appendix 2: Summary of Executive Branch Personnel Changes During Patton Administration as of December 3, 2002.....	22
Appendix 3: Summary of Positions Added by the Legislature in the Fiscal Years 2003 – 2004 Enacted Budget	23
Appendix 4: Tax Reduction Measures.....	24
Appendix 5: Summary of Selected Budget Expansions and New Initiatives Fiscal Years 1996 – 2004.....	25
Appendix 6: Estimated Average Salaries for Teachers in SREB States.....	29
Appendix 7: Current Six-Year Highway Plan Funding Status	30
Appendix 8: Fiscal Years 2004 – 2005 Transportation Cabinet Cash Management Plan	31

KENTUCKY'S FISCAL CRISIS

Introduction

Kentucky, and most other states, has suffered severe revenue shortfalls over the past three years. The Patton Administration has twice proposed comprehensive tax reform to address the crisis. Governor Patton has published two reports detailing the problem and his proposed solution. The General Assembly has not addressed the fundamental problem, preferring instead to continue funding current state commitments with non-recurring resources and delaying funding for critical programs such as the purchase of school textbooks and money for school rewards. The crisis must now be addressed by the next governor in the first few months of his administration. This report is intended as a resource for the next governor and the General Assembly as they assume responsibility for Kentucky's future.

Fiscal Year 2001 Shortfall

The biennial budget for fiscal years 2001-2002 was enacted in March of 2000 based upon revenue estimates made by the Consensus Forecasting Group in January of 2000. This was a very progressive budget; however, revenue below estimates became apparent in December of 2000 and resulted in a \$185.4 million budget shortfall¹ in Fiscal Year 2001 (July 1, 2000-June 30, 2001). This shortfall resulted in cuts in budgeted expenditures of \$114.0 million (mostly unneeded debt service), fund transfers² of \$32.7 million and the use of \$38.8 million from the Budget Reserve Trust Fund (BRTF). The budget cuts did not noticeably affect the delivery of services.

Fiscal Year 2002 Shortfall

In Fiscal Year 2002 the budget shortfall was \$687.1 million. This shortfall was addressed by using the remaining \$240.0 million in the BRTF, \$97.3 million in fund transfers and expenditure cuts of \$349.8 million. These cuts included 2 percent cuts in Medicaid and postsecondary education and, in general, a 5 percent cut in the rest of government except K-12, which was not cut. Service delivery was not severely curtailed; however, the workload of individual state workers increased as vacant positions were left unfilled.

¹A revenue shortfall is what the term implies, actual revenue below the amount estimated when the budget was prepared. A budget shortfall is the total of the revenue shortfall and expenditures less than or in excess of budgeted expenditures.

² A fund transfer is the transfer of funds in a dedicated use fund to the General Fund.

Fiscal Year 2003 Shortfall

For the regular 2002 session of the General Assembly, (normally the budget session), Governor Patton proposed a continuation budget with no expansion of services and only essential capital construction and no tax increases. The General Assembly adjourned without enacting a budget. In the 2003 session Governor Patton proposed a budget which maintained all the existing state commitments, fully funded Medicaid, began to rebuild the BRTF, and continued an aggressive capital construction program. This was financed by a \$573 million tax reform package. The General Assembly rejected the tax increase and patched together a budget which Patton called inadequate and refused to sign.

This biennial budget was enacted in March of 2003 (a year late and nine months into the fiscal year) based on revenue estimates made in January of 2003. These estimates were made based on the weak but supposedly recovering economy and resulted in a very sparse budget. As enacted, the total General Fund revenue for Fiscal Year 2003 was estimated to be \$6,859.2 million, a 4.6 percent increase over the actual revenue of the previous fiscal year. The total budgeted General Fund expenditures were \$7,077.2 million, a 1.2 percent increase over the actual expenditures of the previous fiscal year. Even though the estimated revenues increased on a percentage basis 3.4 percent more than budgeted expenditures increased, the budgeted expenditures exceeded estimated revenue by \$218.0 million. This excess of budgeted expenditures over estimated revenue was made possible because of fund transfers, lapses and other sources of cash. This budget included an increase of \$64 million (2.2 percent) in overall K-12 spending, \$3.3 million increase for Medicaid (.4 percent), \$5 million decrease for prisons (1.7 percent) and, in general, a 2.6 percent decrease for postsecondary education and all the rest of state government. State employees and K-12 teachers received a mandatory 2.7 percent increase.

The actual revenue for Fiscal Year 2003 was \$75.7 million below the estimate so the actual growth in revenue from Fiscal Year 2002 to Fiscal Year 2003 was 3.4 percent. In addition, another \$14.2 million in unbudgeted expenditures resulted in a budget shortfall of \$89.9 million. This shortfall was covered by reducing expenditures \$38.6 million below budgeted appropriations and unbudgeted federal fiscal relief of \$68.7 million, resulting in a surplus of \$23.8 million which was added to the BRTF. This budget did not severely curtail state services; however, universities raised tuition and fees an average of 8.5 percent.

Fiscal Year 2004 Shortfall

Total General Fund revenue for Fiscal Year 2004 as enacted was estimated to be \$7,096.5 million, a 3.5 percent increase from the estimated Fiscal Year 2003 revenue. Appropriated expenditures are \$7,311.2 million, a 3.9 percent increase from Fiscal Year 2003 appropriated expenditures.

The enacted budget has a structural imbalance of over \$390 million because it relies upon non-recurring resources of \$250 million, including a \$139 million carry forward from Fiscal Year 2003, \$70 million in non-recurring fund transfers, and \$41 million in other non-recurring non-revenue sources. The expenditure side of the budget does not provide for approximately \$143 million in expenditures that will need to be made in Fiscal Year 2005. These expenditures include debt service on bonds authorized in the budget, textbooks for K-12 education, school rewards monies, recurring Medicaid expenditures funded by one-time funds in Fiscal Year 2004, operating funds for new facilities coming on-line in fiscal years 2004 and 2005, as well as necessary government expenses which are not provided for in the recurring expenditure base. (Details of these items are in Appendix 1.)

Most state agencies' operating budgets were held to Fiscal Year 2003 levels. K-12 education received a \$106.6 million increase, representing 3.5 percent growth; the Medicaid appropriation increased by \$9.4 million, a 1.2 percent increase; the postsecondary education appropriation was increased \$60.2 million, a 5.4 percent increase (most of the growth was in student financial aid and debt service; operating budgets grew by 2 percent). Notably, the Legislative Branch budget increased 11.4 percent and the Judicial Branch budget increased by 7.3 percent. State agencies were required to increase the wages of each employee by \$1,080, which on average was 2.7 percent. K-12 education was mandated to provide all classified employees a 2.7 percent cost-of-living increment. Teachers, like state workers, received \$1,080. All of state government had to absorb a 9.3 percent increase in the cost of employee health insurance (the state pays for health insurance for all school board employees). This budget caused universities to raise tuition and fees an additional 9.7 percent, schools to not fill positions and state service delivery like environmental and other permits to be delayed. Medicaid benefits were slightly reduced and families with incomes between 150 and 200 percent of poverty were required to pay \$20 a month for K-CHIP health insurance.

In addition, the Medicaid budget was estimated to be \$169 million short, which would require \$50 million more of state match.

Federal fiscal relief, not anticipated when the budget was enacted, permitted the Commonwealth to begin Fiscal Year 2004 without amending the budget. The \$262.4 million reduction in the revenue estimate for Fiscal Year 2004 made on October 10, 2003 requires a re-evaluation of the situation.

The actual revenue growth from Fiscal Year 2003 to Fiscal Year 2004 is now estimated to be 0.7 percent. The October 10 estimate anticipates that the Illinois Tool Works (ITW) court decision will be implemented and the Enterprise Zones will expire under current law. Should these two events not occur, revenue for Fiscal Year 2004 will be reduced by \$31.8 million (\$26.6 million from ITW, \$5.2

from Enterprise Zones), \$93.0 million in Fiscal Year 2005 and \$92.4 million in Fiscal Year 2006.

A cursory review of the Commonwealth's cash flow needs for Fiscal Year 2004 conducted by Acting State Budget Director Mary Lassiter on October 16 indicated that, using the federal fiscal relief, the Budget Reserve Trust Fund and other resources and known adjustments which will have to be made to the expenditure side of the budget, the state will experience a cash shortage of \$148.7 million in the current fiscal year. On October 20, Governor Patton ordered all state agencies to search for other sources of cash and further reductions in expenditures which can be made without affecting service delivery. Sources of additional funds which could be applied toward the current year budget shortfall include projected lapses, unbudgeted restricted funds, and off-budget funds. It is expected that significant lapses to the General Fund will occur as a result of the continuation of cost-saving measures. However, \$15 million of the lapses are already budgeted. An exhaustive review of restricted funds and off-budget accounts will be undertaken upon receipt of agency budget requests which were due November 3. It is anticipated that the entire amount of the remaining shortfall will not be able to be closed with these one-time funds. It will be virtually impossible to wait until the General Assembly acts (most likely late March, if at all) to address this shortfall because cutting this much out of the budget with three months left in the fiscal year when many obligations to spend have already been made would be very disruptive.

Personnel

Much has been said about excessive state personnel in the Executive Branch; however, state government is providing substantially more services with about 4,600 less employees in the Executive Branch than it had twelve years ago when Brereton Jones took office.

On January 1, 1992, twenty days after Jones took office there was a total of 41,659 people on the state payroll. On December 12, 1995 when Paul Patton took office there were 39,858 people on the state payroll, a reduction of 1,801, or 4.3 percent.

From then until December of 2002, the legislature had taken several actions which increased and decreased the state payroll. The most notable decrease was the move of 2,577 employees from Kentucky Tech off the state payroll and to the payroll of the Kentucky Community and Technical College System (KCTCS). There were also almost two dozen specific legislative actions which increased the state payroll adding 2,541 positions. Legislative action achieved a net reduction of 36 state jobs. Total state employment went down 1,133 people between December 12, 1995 and December 3, 2002; therefore, 1,097 positions were eliminated by administrative action. (This data is detailed in Appendix 2.) During

the 2003 legislative session, new mandates added 283 new positions to the state payroll. (Detailed in Appendix 3.)

On December 3, 2002, Governor Patton ordered that all non-essential positions not be filled and mandated that the payroll be reduced by at least 1,000 persons by the end of his term on December 8, 2003. On October 20, 2003, Governor Patton ordered a complete hiring freeze, any exemptions being personally approved by him. It appears that the actual reduction during Patton's last year will be approximately 1,700 employees, making a total reduction during Patton's eight years of approximately 2,800, or 7.0 percent, and a total for the past 12 years of about 4,600 employees, an 11 percent reduction.

State government employees are stretched very thin and services are beginning to suffer.

Graph 1 portrays the change in personnel from December 12, 1995 when Governor Patton took office to November 1, 2003.

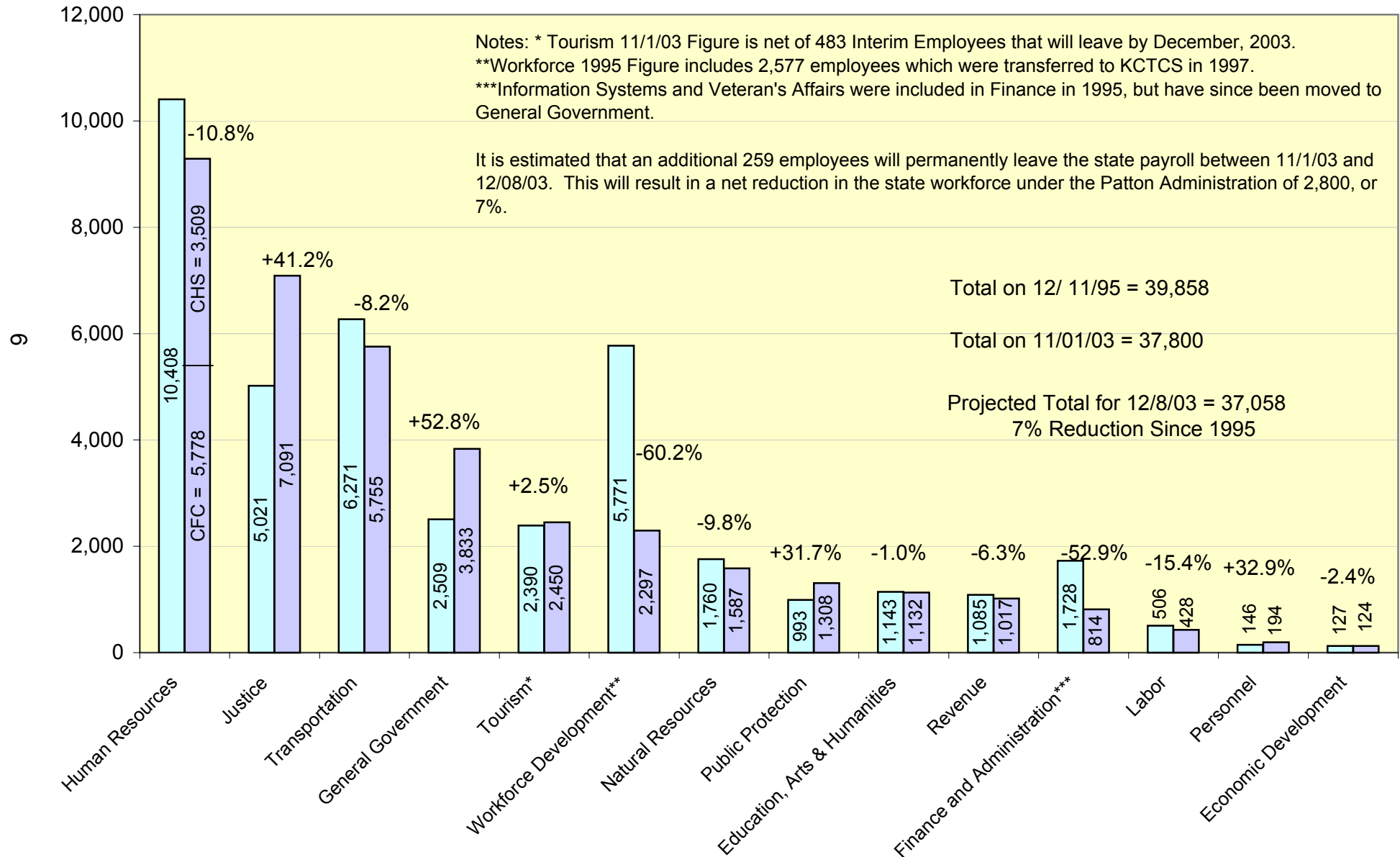
The Justice Cabinet and General Government are the only areas to see significant increases in personnel. The Justice Cabinet has experienced a major increase in prison population (34 percent more incarcerated, 53 percent more under supervision) and the newly created Department of Juvenile Justice has assumed the responsibility for incarceration of juveniles, a responsibility previously borne by counties. The Department of Criminal Justice Training must provide the newly required training for most new police officers in the state. The State Police received substantially increased wages, equipment and a 350 percent increase in spending on laboratories.

The increases in General Government, which includes the constitutional officers and other agencies such as the Department for Local Government and the Unified Prosecutorial System (Commonwealth and County Attorneys), were mainly a result of the creation of the Department of Veterans' Affairs, the transfer of the Education Professional Standards Board into General Government, increases in the Unified Prosecutorial System and the consolidation of information technology positions into the Governor's Office for Technology.

The increase in Public Protection and Regulation was caused by an expansion of the Public Defender program from 44 counties to 117 counties, an increase in enforcement officers in the Department of Alcohol Beverage Control, the transfer of the Underground Petroleum Storage Tank Commission from the Natural Resources and Environmental Protection Cabinet, as well as the increased number of inspectors and analysts needed to bring this program under control; the creation of the Division of Consumer Protection in the Department of Insurance and additional positions for health insurance quality assurance, also in the Department of Insurance. The increase in the Personnel Cabinet was due to the assumption of the responsibility for procuring health insurance for

Graph 1

EXECUTIVE BRANCH EMPLOYEES BY CABINET
12/11/95 to 11/01/03



approximately 175,000 public employees, a function previously performed by the Health Purchasing Alliance and Health Policy Board.

The reduction of personnel in the Workforce Development Cabinet was caused in part by the transfer of 2,577 employees to the Kentucky Community and Technical College System and 23 employees in Adult Education to the Council on Postsecondary Education. The remainder of the work of the Cabinet was performed by 874 fewer employees.

The slight increase in tourism was occasioned by two new resort lodges with restaurants and five new golf courses.

Every other cabinet reduced personnel while, in most cases, assuming additional responsibilities.

Medicaid

The Medicaid program is funded by the General Fund and by annual appropriations from the Medicaid Trust Fund and other revenue sources. The Medicaid Trust Fund is funded by a provider tax on some medical services. Other restricted fund revenue is generated by Intergovernmental transfers and other state agencies that supply the state match for Medicaid services they utilize. The total of expenditures from the trust fund, restricted funds from the above sources and General Fund appropriations constitutes total state spending on Medicaid. This expenditure is matched by 70 percent federal funds to constitute total Medicaid spending.

From the very beginning, the administration attempted to control the cost of the Medicaid program while expanding it to cover children and other underserved populations. During the first six years of the Patton Administration (from Fiscal Year 1996 to Fiscal Year 2002) the total cost of the program increased 83 percent. Total state Medicaid spending increased 81 percent and General Fund Medicaid spending increased 55 percent. A part of the reason for the large increases was the use of the Medicaid program to pay for Medicaid eligible state programs which were being funded 100 percent by state funds. While this increased the cost of the Medicaid program, it reduced the state cost of the converted programs by 70 percent.

During the last two years (Fiscal Year 2002 to Fiscal Year 2004 estimated), the total Medicaid expenditures increased 7.5 percent, total state Medicaid spending increased 4.2 percent and General Fund Medicaid spending increased 1.7 percent. The Congressional Budget Office estimates that nationwide Medicaid spending will increase 18.2 percent during these two years. Surplus funds in the Medicaid Trust Fund do not lapse and the fund accumulated some very large surpluses in some years, a surplus which has been declining, but has kept the program operating with less General Fund appropriations than would

have otherwise been required. This surplus will be exhausted by the end of the current fiscal year.

In March, 2001, the administration formed a Medicaid Steering Committee and hired consultants to control costs in the Medicaid program. This team's work has enabled the state to temporarily slow the growth of the General Fund appropriation for Medicaid but its efficiency measures will have been fully implemented by the end of Fiscal Year 2004. The General Fund support for the Medicaid program will have to be increased substantially in the future or the program will have to be cut.

There were no significant cuts in Medicaid services in Fiscal Year 2003; however, in Fiscal Year 2004, modest cuts in the eligibility of about 1,200 people (out of about 650,000 participants) and a monthly payment of \$20 for the health insurance of children in families with incomes of between 150 and 200 percent of federal poverty guidelines caused major problems for these people and their families and major political repercussions, causing legislative committees to call upon the Governor to rescind the cuts (without offering a way to pay for the services).

Another looming problem is that provider reimbursement rates have remained virtually unchanged for 3 years.

The Next Biennium

The bigger question is the Commonwealth's fiscal outlook for the next biennium.

On October 20, the Governor asked the budget office to project the expenditures for fiscal years 2005 and 2006 needed to sustain the current level of service assuming the following parameters:

1. Wage increases for state employees of 2 percent, the average of the increase in the Consumer Price Index for calendar years 2001 and 2002. (The same parameter used to determine the 2.7 percent increase recommended by the administration for Fiscal Year 2003-2004. State law mandates a 5 percent annual increase for state employees, a mandate which was fulfilled in the first six Patton budgets.)
2. The projected increase in the cost of employee health insurance. (Increases of 16 percent in Fiscal Year 2005 and 19 percent in Fiscal Year 2006.)
3. The increased cost of the employer share of employee retirement. This includes the retirement systems for both state employees and teachers.
4. The projected increase in the cost of the state share of the Medicaid program.
5. The costs associated with the projected increase in prison population.

6. The debt service on the \$100 million of new school construction promised by the 2003 General Assembly and on all bonds authorized by the 2003 General Assembly but not included in the enacted budget.
7. An increase in Basic SEEK of 2 percent.
8. Replacement of the General Fund money lost because all lottery proceeds must be dedicated to college scholarships by Fiscal Year 2006.
9. An increase in postsecondary education of 2 percent.
10. Other cost increases mandated by existing commitments (school rewards, textbooks).
11. Operating funds for new facilities coming on line in the next biennium.
12. Reinstatement of the statutory appropriation of \$19 million of the coal severance tax to the workers' compensation special fund.
13. Unbudgeted necessary government expenses.

Based on this analysis of the state's needs, if the state is to continue service delivery at the current level, expenditures will exceed estimated revenue by \$710.5 million in Fiscal Year 2005 and \$754.5 million in Fiscal Year 2006, as illustrated in Table 1.

TABLE 1
(millions)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Shortfall</u>
2005	\$7,135.7	\$7,846.2	\$710.5
2006	\$7,417.7	\$8,172.2	\$754.5

Note: These estimates of revenue include revenue of \$60.3 million in Fiscal Year 2005 and \$54.2 million in Fiscal Year 2006 from Illinois Tool Works and \$32.7 million in Fiscal Year 2005 and \$38.2 million in Fiscal Year 2006 from the expiration of the Enterprise Zones.

Table 2 portrays the 2004 budget as enacted and the 2005-2006 biennial budget flat funded except for debt service. Under this scenario, the state will be short \$200.8 million in Fiscal Year 2005 and have a \$85.3 surplus in Fiscal Year 2006.

Table 3 portrays the Patton Administration's opinion of the minimum increases in some expenditures which will have to be made to maintain current services and avoid making cuts which will set Kentucky back and cause considerable political grief to those in office having to deal with these problems, using the parameters previously discussed.

Table 2

GENERAL FUND STRUCTURAL BUDGET ANALYSIS (Excludes Tobacco Funds)						
		Revised FY 2004 (Millions)		FY 2005 (Millions)	% Change	FY 2006 (Millions) % Change
BEGINNING BALANCE		\$ 138.7		\$ -		\$ -
GENERAL FUND REVENUE						
	Base Projection (CFG)	\$ 6,834.1		\$ 7,110.7	4.0%	\$ 7,392.7 4.0%
	Fund Transfers	\$ 95.3		\$ 25.0		\$ 25.0
	Federal Fiscal Relief	\$ 68.7		\$ -		\$ -
TOTAL RESOURCES		\$ 7,136.8		\$ 7,135.7	0.0%	\$ 7,417.7 4.0%
CURRENT SERVICES BUDGET						
	Education (DOE, SFCC, KTRS, EPSB)	\$ 3,151.6		\$ 3,151.6		\$ 3,151.6
	Postsecondary Education (Institutions, CPE, KHEAA)	\$ 1,167.3		\$ 1,167.3		\$ 1,167.3
	Medicaid Benefits	\$ 761.8		\$ 761.8		\$ 761.8
	Criminal Justice	\$ 511.7		\$ 511.7		\$ 511.7
	Constitutional Officers	\$ 91.2		\$ 91.2		\$ 91.2
	Legislative Branch	\$ 40.6		\$ 40.6		\$ 40.6
	Judicial Branch	\$ 210.9		\$ 210.9		\$ 210.9
	Rest of Government	\$ 1,136.1		\$ 1,136.1		\$ 1,136.1
	Baseline Debt Service (Excluding SFCC and Univ. CEBRB)	\$ 259.0		\$ 280.4		\$ 276.3
	Budgeted Lapse	\$ (15.0)		\$ (15.0)		\$ (15.0)
TOTAL CURRENT SERVICES APPROPRIATIONS		\$ 7,315.1		\$ 7,336.5		\$ 7,332.4
RESOURCES LESS EXPENDITURES		\$ (178.3)		\$ (200.8)		\$ 85.3
ADDITIONAL FUNDING NEEDS (See Attachment)		\$ -		\$ 509.8		\$ 839.8
TOTAL FUNDING NEEDS				\$ 7,846.2		\$ 8,172.2
ENDING BALANCE		\$ (178.3)		\$ (710.5)		\$ (754.5)
ASSUMPTIONS						
	RESOURCES:					
	October 15 CFG Estimates					
	APPROPRIATIONS:			FY 05		FY 06
	Growth Rate			0.00%		0.00%

Table 3

ADDITIONAL FUNDING NEEDS		
	FY 2005 (Millions)	FY 2006 (Millions)
EDUCATION		
2% Increase in Basic SEEK*	\$ 69.7	\$ 107.8
School Rewards Reinstatement	\$ 23.0	\$ 10.0
Textbook Funding Reinstatement	\$ 21.7	\$ 21.7
District Health Insurance Cost Increases	\$ 38.7	\$ 107.1
SFCC Debt Service on All Previously Authorized Bonds	\$ 14.5	\$ 14.5
KTRS Increased Contribution Due to Salary Increments	\$ 7.2	\$ 14.6
KTRS Cost of Previously Enacted Benefit Enhancements	\$ 24.5	\$ 63.3
HEALTH SERVICES		
Medicaid	\$ 159.0	266.5
JUSTICE		
Corrections		
M&O on New Facilities	\$ 15.2	\$ 15.9
Inmate Education	\$ 4.0	\$ 4.3
Increased Jail Population (net of new facilities)	\$ 2.4	\$ 6.3
Replacement of Fund Transfer for Mental Health	\$ 1.5	\$ 1.5
Parole Supervision Credit Language	\$ 3.0	\$ 3.5
Juvenile Justice		
M&O on New Facilities	\$ 3.6	\$ 5.4
LABOR		
Statutory \$19 Million to Workers Compensation Funding Commission	\$ 19.0	\$ 19.0
POSTSECONDARY EDUCATION		
2% Cost of Living Increase for Institutions	\$ 18.4	\$ 37.1
M&O on New Facilities	\$ 8.2	\$ 10.2
Debt Service (due to loss of reserves)	\$ 2.8	\$ 0.8
Increased Student Financial Aid Set-Aside of Lottery Revenues	\$ 4.9	\$ 17.3
STATEWIDE		
Salary Increments (2% per year)	\$ 15.3	\$ 28.9
Health Insurance Increases	\$ 10.5	\$ 23.6
Increased KERS Retirement Employer Contributions	\$ 27.7	\$ 45.5
Necessary Government Expenses	\$ 15.0	\$ 15.0
TOTAL ADDITIONAL FUNDING NEEDS	\$ 509.8	\$ 839.8
*Note: SEEK estimate will change with fall '03 enrollment data not yet factored.		

Is the State Spending Too Much?

Much has been said about increased state expenditures during the Patton Administration. The facts are that during these eight years:

1. The CPI increased 20.9 percent.
2. General Fund revenue increased 28.1 percent.
3. General Fund spending went up 39.3 percent. (Note: From Fiscal Year 1996 to Fiscal Year 2001, spending and revenue were pretty well equal. The excess of spending over revenue is the result of the General Assembly rejecting the Governor's proposal for increasing revenue but not cutting expenditures correspondingly.)
4. Per capita income in Kentucky went up 39.6 percent.
5. Total personal income in Kentucky went up 46.0 percent.
6. Non-agricultural employment in Kentucky went up 8.2 percent.
7. Twenty-six (26) different tax cuts implemented during the Patton Administration have reduced taxes by \$512.7 million in Fiscal Year 2004. (Appendix 4)

Nationally:

1. Total government spending (federal, state, and local) went up 52.7 percent.
2. State and local spending went up 52.2 percent.
3. The National Gross Domestic Product went up 47.0 percent.
4. The Kentucky Gross State Product Data for 2002 is not yet available; however, the increase from 1993 to 2001, the most recent eight year period for which data is available was 48.7 percent.

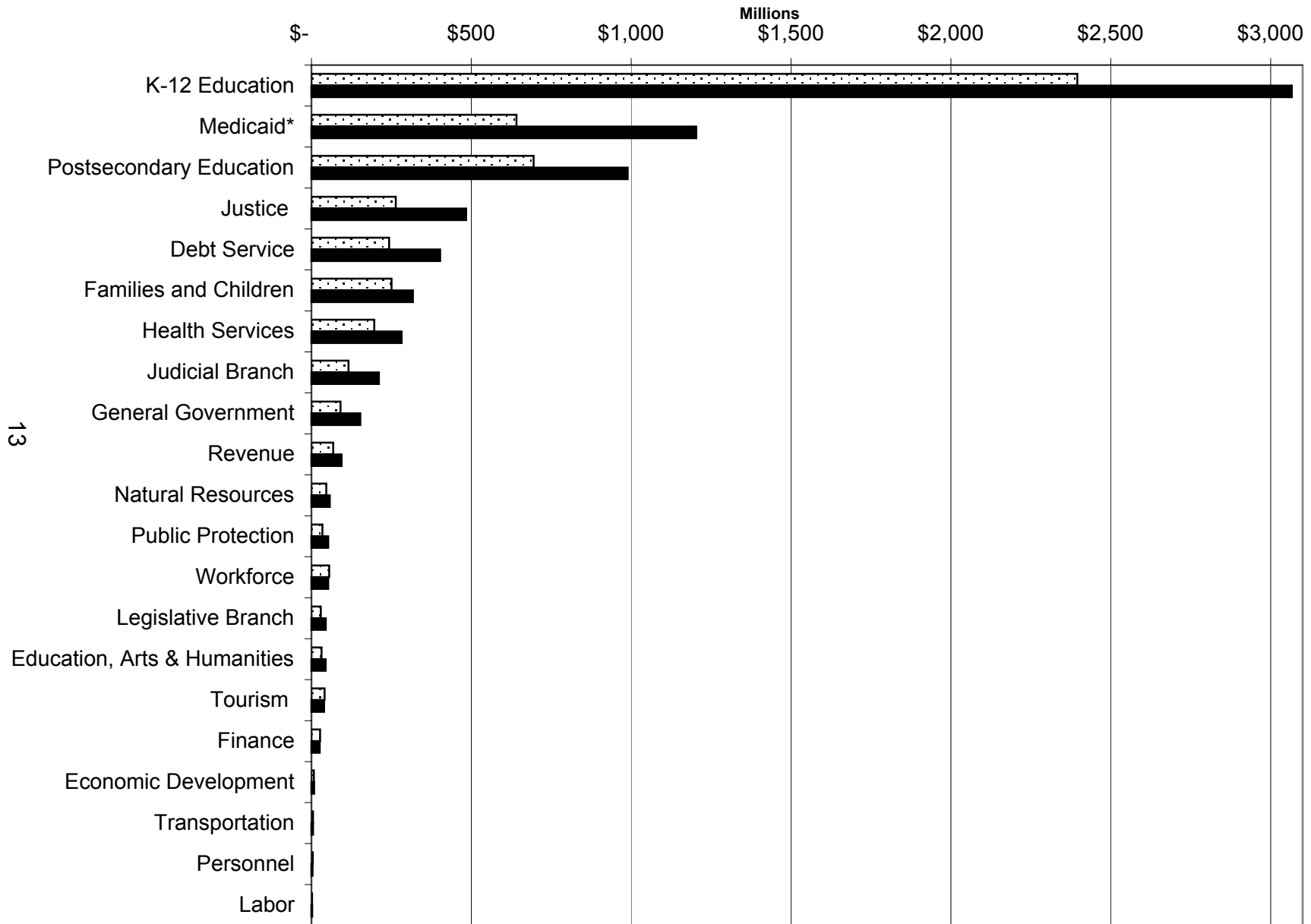
Graph 2 portrays General Fund operating expenditures by major categories in Fiscal Year 2004 compared to Fiscal Year 1996 (Brereton Jones' last budget). Significant legislatively mandated expenditures not related to the regular programs of state government have been excluded from this analysis. This includes tobacco settlement funds, coal severance tax dedicated use programs and student financial aid (lottery proceeds).

Graph 3 portrays the percent increase in these expenditures from Fiscal year 1996 to Fiscal Year 2004. Appendix 5 details the reasons for some of the high increases.

It is apparent that maintaining Kentucky state services at their current level will be challenging, especially education, especially K-12 education.

Graph 2

General Fund Operating Expenditures FY 96 - FY 04



Operating Expenditures = Total Expenditures less Debt Service and Other Extraordinary Amounts such as Coal Severance, Tobacco Funded Expenditures and Student Financial Aid Amounts.

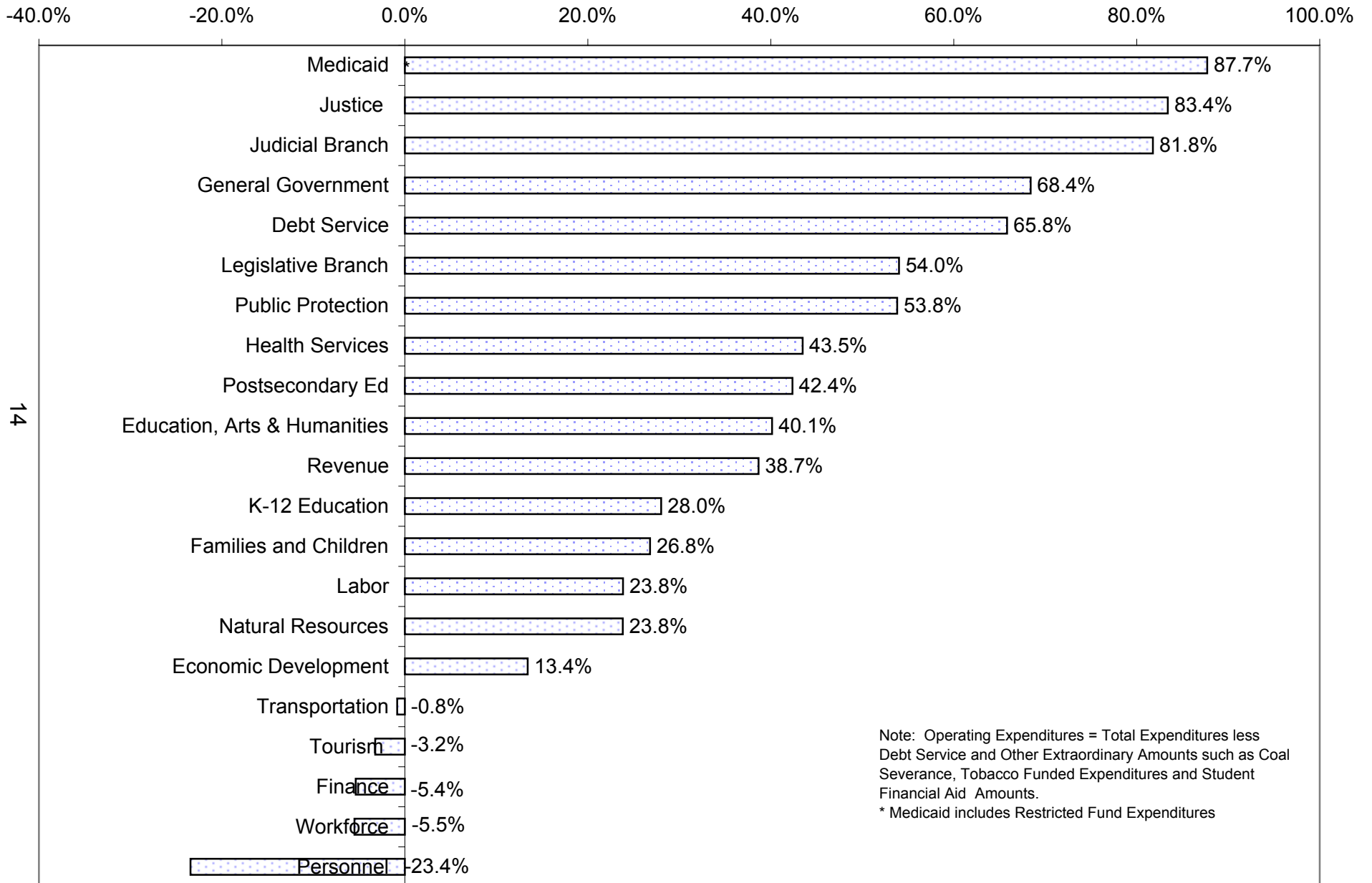
* Medicaid includes Restricted Fund Expenditures

□ FY 96

■ FY 04

Graph 3

% Growth in General Fund Operating Expenditures FY 96 - FY 04



The scenario outlined in this report only contemplates maintaining the status quo, with minimal cost-of-living adjustment to the wages of teachers and state and postsecondary education employees. To not pass on a cost-of-living adjustment as the Governor, the legislators and almost all other elected officials get, and as is almost universally practiced in the private sector, is unconscionable.

For teachers that is not enough. Kentucky has made outstanding gains in K-12 education over the past thirteen years, in part because we decided, in 1990, to ensure we had good teachers in the classroom by raising their wages almost to the national average. Our average teacher compensation was 28th in the nation in 1993 – and then it began to slip until in 2001 it was 34th, 6th lowest of the sixteen states that are members of the Southern Regional Education Board. And during the past ten years, our average teacher wages have grown the slowest of all the sixteen. We cannot continue to gain if our teachers' wages continue to fall behind. Appendix 6 contains this information.

Revenue Permanently Lower

Graph 4 portrays Kentucky General Fund revenue since 1975 (projected to 2008). From Fiscal Year 1975 to Fiscal Year 1996 revenue grew at an average compounded rate of 8.5 percent. During the first four years of the Patton Administration (Fiscal Year 1996 to Fiscal Year 2000) revenue grew at an average compounded rate of 5.0 percent. During the last four years of the Patton Administration (Fiscal Year 2000 to Fiscal Year 2004) revenue grew at an average compounded rate of 1.5 percent. Revenue is projected to grow during the next administration (Fiscal Year 2004 to Fiscal Year 2008) by an average compounded rate of 4.5 percent.

The fact is that on average, Kentucky General Fund revenue in the last quarter of the last century grew as our economy grew and was adequate to finance the needs of a modern society and to begin to regain some of the ground we had lost during that century of neglect following the civil war. It is unlikely that the current revenue code will sustain a growth rate which will keep up with the needs of a modern society because of several factors, a few of which are listed below.

1. A major source of revenue is the sales tax which is almost totally dependent on the sale of physical goods while consumer spending is shifting to untaxed services.
2. We have exempted from the individual income tax most of the fastest growing segment of personal income in Kentucky, retirement income.
3. We have created many loopholes in our Corporate Tax Code which allow businesses to legally avoid their traditional share of support for state government. As businesses have been more aggressive taking advantage

of these loopholes, corporate support for the General Fund dropped from 10 percent in 1990 to 5 percent in 2002.

4. House Bill 44 (enacted in 1979) restricts the growth in revenue from the state property tax well below the cost of paying for the services that more valuable real estate imposes on government. The state rate has dropped from a relatively low 31.5 cents per \$100 of property in 1978 to 13.3 cents per \$100 in 2003.
5. Increasing remote sales of taxable items on the internet, by phone and through catalogs, is depriving Kentucky of sales tax revenue to which the Commonwealth is entitled and had been collecting in the past.

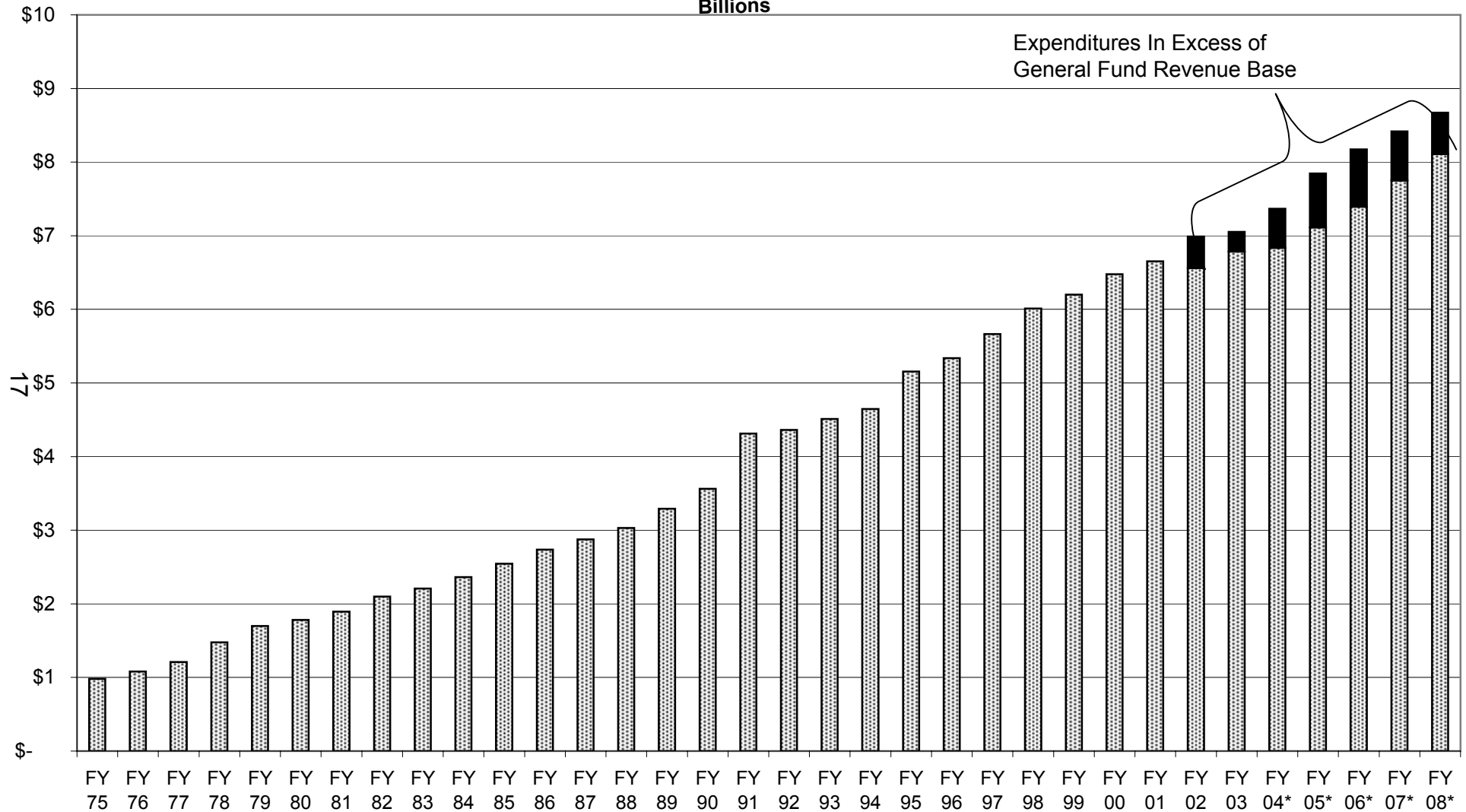
Regardless of the growth rate of revenue in the future, Graph 4 vividly portrays the fact that our revenue stream has shifted to a fundamentally lower level; and our expenditures have not been cut to correspond with this reduced level of income. The black bar on top of the gray bar representing income shows the excess of expenditure over income during Patton's second term.

During this second term, expenditure growth over four years was held to 12.5 percent (an average of 3.1 percent per year). This was substantially more than the 1.5 percent annual growth of revenue during this period. This level of expenditure was sustained by the use of reserves, the Budget Reserve Trust Fund, by taking money away from non-general fund programs which had their own dedicated sources of revenue and by delaying essential expenditures into future budgets. (Note: This is a legislative budget that Governor Patton did not endorse and did not sign. He has made every effort to apprise the public and the candidates that our current budget is not adequate in several areas.) This method of sustaining state services cannot be continued. By the end of Fiscal Year 2004 almost all reserves will be exhausted. There are only two options available to the next administration; tax increases or drastic cuts in state services, including education.

Graph 4

General Fund Receipts FY 75 - 2008*

Billions



Black Bars in FY 02 - FY 08 Represent Expenditures in Excess of General Fund Revenue Base. FY 02 and FY 03 are Actual. FY 04 Based Upon Enacted Budget and CFG October 2003 Revenue Estimate. FY 05 and FY 06 Revenues as Estimated by CFG, Expenditures Estimated as Current Services Continuation. FY 07 and FY 08 Assume 3% Increases in Expenditures and August CFG Estimates for Revenues.

The Road Fund

The Road Fund also presents a major challenge to the next administration. The gasoline tax was last increased in 1986. At that time our gasoline tax was just about at the national average. Since then, almost every other state has increased its gasoline tax to account for inflation and the increased gasoline mileage of modern motor vehicles.

Today Kentucky has the 4th lowest gasoline tax in the nation. We cannot keep our highways safe and adequate without more revenue in the Road Fund.

The Brown Administration attempted to bring order and logic to our road building program by establishing the Six-Year Road Plan to be approved by the legislature. Over the years the legislature has added construction projects to the plan to the point where revenue could not finance it.

In 2000, Governor Patton proposed a seven-cent increase in the gasoline tax and added some needed projects to the plan. The General Assembly added more projects but did not increase the tax. The legislature did change the policy of fully funding a project before it was begun (a policy which had generated a permanent unspent balance of about \$600 million in the construction account) to a policy of paying for current construction expenses with current revenue. This allowed the administration to temporarily continue the construction program at the legislatively mandated level without increasing revenue. But the \$600 million has been spent and as of July 1, 2003, there were still \$215 million of legislatively authorized projects from 2003 for which there is no money to fund.

As we look ahead, the state-funded part of the current Six-Year Road Plan is over committed by \$1.26 billion through 2008 and virtually all the revenue for the next two years will be required to fund contracts already awarded. This is particularly disturbing as we have another \$500 million in projects which will be ready to be awarded over the next two years.

The state needs to take immediate action to raise the gasoline tax to the national average which would require about a ten-cent per gallon increase.

The Kentucky Highway Contractors Association has proposed an innovative plan to increase the tax in increments as the price of gasoline fluctuates until it reaches the same rate as it was in 1986 after adjustment for inflation. This proposal must be seriously considered.

Appendix 7 summarizes the commitments of the current Six-Year Road Plan.

Appendix 8 summarizes the Transportation Cabinet's cash flow projections through the end of Fiscal Year 2005.

Summary

The state faces a fiscal crisis. The current leadership has failed to address it, for several reasons. Among these are:

1. Kentucky was not as bad off as many other states. During the good years, our revenue didn't grow as much as that of many of the states that are or have faced similar fiscal crises. Our revenue did begin to grow rather strongly in Fiscal Year 1996 and so we cut taxes, as has already been pointed out.
2. During the good times we invested some of the excess revenue in fully funded, one-time capital construction projects which did not require recurring debt service appropriations and, therefore, did not add to the state's recurring appropriation needs.
3. We funded the Budget Reserve Trust Fund at unprecedented levels.
4. We had very substantial reserves in several dedicated use funds which we have used as General Fund reserves.
5. We cut expenditures and streamlined government without unduly affecting services.
6. Political deadlock.

Kentucky has delayed the pain for longer than it should have so it will be more severe than it needed to be. Many other states have been more prudent and cut expenditures like Kentucky has and raised taxes like Kentucky has not. In fact, since late 2001, 29 states, including 5 of our 7 neighboring states, have raised taxes. Our three major competitors - Tennessee, Indiana and Ohio – have raised taxes over 5 percent.³

It is very understandable that the candidates didn't address this crisis during the campaign. The winner cannot avoid it. The current leadership has failed the people of Kentucky and the next governor by not solving it.

There is still time.

If the next governor raises taxes enough to solve the problem (in fact, restoring the revenue lost with the tax cuts passed on to the people during the good times), he will be crippled and his ability to address the challenges of the future will be severely hampered. If he makes the draconian cuts which will be necessary if there is no new revenue, he will be devastated, no longer able to lead; or be re-elected.

³ Center for Budget and Policy Priorities, October 22, 2003.

This crisis arose during Governor Patton's watch and should be solved on Governor Patton's watch. He is willing to address it during the five weeks between the election and the inauguration of the next governor. This is the best time to address this issue with bipartisan support; in fact, it may be the only time that a solution can attract bipartisan support. It is hard to imagine how it can be solved without bipartisan support.

The problems with Kentucky's tax code are well known and have been thoroughly debated. They can be solved and our present tax code replaced with a tax code which will finance Kentucky's current commitments and will grow as the needs of a growing Kentucky society grows.

All that is required is the political will. The responsibility for the future of Kentucky passed to a different person on November 4th. Governor Patton desires to work with our new leader and the General Assembly to secure the future of Kentucky. That decision must be made by our new leader.

Appendix 1

Structural Budget Imbalance Analysis HB 269 (Millions)

	<u>FY 04</u>	
Non-Recurring Resources		
Beginning Balance	\$ 138.7	
Non-Recurring Fund Transfers *	\$ 70.3	
Other Non-Recurring Revenues		
N0x credits	\$ 21.0	
Unclaimed Property from Demutualization	\$ 20.0	
Total Other Non-Recurring Revenues	<u>\$ 41.0</u>	
Total Non-Recurring Resources		<u>\$ 250.0</u>
Recurring Expenditures Not Funded		
Additional Debt Service Needed in FY 05 to Fully Fund Bonds Authorized in HB 269	\$ 35.5	
Education Textbook Deferral	\$ 21.7	
School Rewards Payments	\$ 23.0	
Medicaid Expenditures Funded with One-Time Restricted Funds	\$ 13.7	
Deferred Expenditures for Maintenance and Operation of New Facilities		
Elliott County Prison	\$ 15.1	
KSR Transition Dorm	\$ 0.8	
KSP Segregation Unit	\$ 0.5	
Postsecondary Institutions	\$ 6.0	
Boyd and Fayette County Juvenile Detention Facilities	\$ 2.5	
Veterans' Cemetery in Hopkinsville	\$ 0.2	
Budgeted Lapse	\$ 8.6	
Necessary Government Expenses	<u>\$ 15.0</u>	
Total Recurring Expenditures Not Funded		<u>\$ 142.6</u>
Total Structural Imbalance		<u>\$ 392.6</u>

*Assumes \$25 Million of Recurring Fund Transfers is Feasible

APPENDIX 2

Summary of the Changes in Executive Branch Employees During Patton Administration as of December 3, 2002

Legislatively approved policy changes which require additional employees on the state payroll:

Criminal Justice

New State Juvenile Detention Facilities: (HB 117-1996)	696
Regional juvenile detention facilities in Breathitt, Campbell, Hardin, Laurel, McCracken and Warren counties; Adair Youth Development Center	
Prison Capacity Expansion: (1,624 beds)	382
New dorms/units at women's prison, Blackburn, Roederer, Green River, and Kentucky State Reformatory, additional beds installed at existing facilities	
Commonwealth's Attorney Office	207
Probation and Parole/Mental Health Treatment Staff Increase (HB 455-1998)	169
Public Defender Program Staff Increase	133
Criminal Justice Training (HB 455-1998)	<u>92</u>
Total - Criminal Justice	1,679

Expansion of State Park System

New Park facilities at Dale Hollow, Kentucky River Museum, Ft. Boonesborough, Blue Licks, Yatesville Marina, Pine Mountain Golf Course, General Butler Conference Center, 5 other golf courses (maintenance staff)	100
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Veterans Nursing Homes Expansion

Hazard and Hanson (Hopkins County)	320
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Education-Related Initiatives

Kentucky Higher Education Assistance Authority (SB 192/HB 379-1996)	87
Educational Professional Standards Board (HB 78-2000)	38
Kentucky Virtual University (HB 1-1997 Special Session)	<u>23</u>
Total - Education-Related Initiatives	148

Other Notable Areas

Kentucky Employees' Retirement System (HB 309-2002)	86
Department for Insurance (HB 440-1998)	65
Environmental Protection	46
Underground Petroleum Storage Tank Program (HB 282-1998)	45
Kentucky History Center	26
Alcoholic Beverage Control (HB 558-1998)	<u>26</u>
Subtotal - Other	294

Total Additions	2,541
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Legislatively approved policy changes which reduces employees on the state payroll:

Transfer of Technical Postsecondary Education to KCTCS (HB 1-1997 Special Session)	2,577
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Total Reductions	<u>2,577</u>
Net decrease as a result of legislative action:	(36)

Reductions in Personnel as a result of Executive Branch action:

December 11, 1995 Total Employees	39,858
December 3, 2002 Total Employees	<u>38,725</u>
Difference	(1,133)

Less decrease as a result of legislative action	(36)
Net decrease as a result of administrative action	(1,097)

APPENDIX 3

<u>Cabinet/Agency</u>	<u>Total for Biennium</u>	<u>Purpose</u>
General Government		
Veterans' Affairs	30	Staff new nursing homes and add field staff.
Unified Prosecutorial System	6	Additional attorneys in the 46 th and 57 th circuits.
Justice		
Justice Administration	22	Staff for medical examiner's office-toxicology lab backlog; add 11 for parole board risk assessment.
Criminal Justice Training	22	Training instructors and POPs positions.
State Police	26	Staff or crime lab.
Corrections	69	Sex offender treatment (6); new and expanded facilities coming on line (63).
Natural Resources & Environmental Protection	22	Additional positions in air, water and waste Management.
Personnel	9	Health insurance, HIPAA, deferred compensation.
Public Protection & Regulation		
Insurance	3	Add staff in consumer protection division.
Public Advocate	12	Add personnel in 57 th circuit and Boone County and Harrison County offices.
Housing, Buildings & Construction	10	Additional licensing requirements.
Mines and Minerals	6	Additional regulation of oil and gas exploration.
Revenue	35	Revenue collection enhancements (some dollars provided in FY 03; however, the provision was only added during the FY 03 session, so for all practical purposes, the personnel were not approved until FY 04).
Tourism Development	<u>11</u>	Staff to maintain new golf courses.
Total	283	

Appendix 4

Tax Reduction Measures

(millions of dollars)

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06
Income Tax and Inheritance	-27.1	-55.5	-98.3	-131.2	-161.1	-178.4	-218.1	-235.9	-263.7	-294.9	-329.0
Private pension & IRA exemption	-27.1	-45.3	-63.5	-72.7	-76.1	-91.0	-107.0	-121.0	-133.1	-145.0	-158.1
Inheritance tax exemption	-	-6.0	-21.0	-33.6	-50.3	-51.7	-74.2	-66.0	-68.2	-71.5	-75.0
Standard deduction increased to \$1,700	-	-4.2	-13.8	-24.9	-34.7	-35.7	-36.9	-37.6	-38.5	-40.7	-43.0
Federal Estate Tax Changes								-11.3	-23.9	-37.7	-52.9
Health Related	0.0	0.0	0.0	-1.2	-3.2	-3.2	-9.1	-9.2	-9.6	-9.8	-10.1
Health insurance deduction (reduces income tax)	-	-	-	-	-2.0	-2.0	-7.9	-8.0	-8.8	-9.2	-9.6
Deduction for long term care (reduces income tax)	-	-	-	-1.2	-1.2	-1.2	-1.2	-1.2	-0.8	-0.6	-0.5
Automobile	0.0	-9.5	-13.8	-18.3	-19.2	-20.2	-21.2	-22.2	-23.3	-24.5	-25.7
Marcum: Property tax on automobiles	-	-9.5	-9.8	-10.3	-10.8	-11.3	-11.9	-12.5	-13.1	-13.8	-14.5
Automobile property tax cut	-	-	-4.0	-8.0	-8.4	-8.8	-9.3	-9.7	-10.2	-10.7	-11.3
Agriculture	0.0	0.0	0.0	-4.1	-4.1	-4.5	-4.9	-7.0	-7.3	-7.5	-7.7
Sales tax exemption for farm fuel	-	-	-	-4.1	-4.1	-4.3	-4.7	-6.8	-7.1	-7.3	-7.5
Domestic cervids operations granted sales tax exemption		-	-	-	-	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Business	0.0	-1.0	-31.0	-36.2	-38.4	-48.4	-54.2	-62.2	-71.4	-72.9	-75.3
Private aircraft taxed at lower property tax rate	-	-	-	-0.7	-0.7	-0.7	-1.0	-1.0	-1.0	-1.0	-1.0
Investment Fund & Training (reduces income tax)	-	-	-	-1.0	-1.5	-1.7	-2.2	-2.6	-2.8	-3.5	-3.7
St. Ledger: Equal treatment of stock	-	-1.0	-31.0	-32.6	-34.2	-35.9	-37.7	-39.6	-41.5	-42.8	-43.9
Bank Franchise Tax: method changed	-	-	-	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.1	-2.1
Jet fuel tax credit for large carriers	-	-	-			-6.0	-7.0	-14.0	-19.3	-20.0	-20.7
Historic buildings as lodgings given sales tax refund		-	-	-	-	-	-1.1	-1.1	-1.1	-1.1	-1.1
Seasonal employees considered "qualified" for KEZ		-	-	-	-	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Pari-mutuel tax credit		-	-	-	-	-0.7	-1.5	-	-1.5	-	-
Retail metal fixture		-	-	-	-	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6
Coal fired electric generation plants receive tax credits		-	-	-	-	-	-0.2	-0.4	-0.6	-0.9	-1.1
Coal mined from thin seams given tax credits		-	-	-	-	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
KIRA benefits to include corporate license tax		-	-	-	-	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Property Tax Reduction	-	-	-	-	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Total General Fund Taxes*	-27.1	-66.0	-143.1	-191.0	-227.2	-255.8	-308.7	-337.7	-376.5	-410.8	-449.1
Cumulative General Fund	-27.1	-93.1	-236.2	-427.2	-654.4	-910.2	-1,218.9	-1,556.6	-1,933.1	-2,343.9	-2,793.1
Non-General Fund	0.0	-29.0	-48.6	-82.2	-110.4	-146.4	-176.0	-128.9	-136.2	-144.0	-152.3
Provider tax exemption on physicians	-	-10.0	-21.0	-31.3	-44.4	-48.1	-51.6	-56.0	-60.0	-64.3	-68.9
Provider tax exemption for prescription drugs	-	-	-	-	-5.0	-13.0	-14.0	-15.1	-16.2	-17.4	-18.6
Reduce taxable value of motor vehicles (use tax)	-	-	-	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8
McGaren: Equalization of trade-in value	-	-	-	-	-	-3.3	-6.5	-6.5	-6.5	-6.5	-6.5
Local govt component of auto property taxes		-19.0	-27.6	-36.6	-38.4	-40.3	-42.3	-44.5	-46.7	-49.0	-51.5
Unemployment Insurance: Reduction in Employer Payment		-	-	-7.5	-15.7	-35.0	-54.8	-	-	-	-
TOTAL ALL TAXES	-27.1	-95.0	-191.7	-273.2	-337.5	-402.3	-484.7	-466.6	-512.7	-554.9	-601.5
Cumulative All Taxes	-27.1	-122.1	-313.8	-587.0	-924.5	-1,326.8	-1,811.5	-2,278.0	-2,790.8	-3,345.6	-3,947.1

Appendix 5

Summary of expansions and new initiatives FY 1996 to FY 2004 (agencies with highest percentages of growth)		
(base FY 96 figures are actual expenditures and are inclusive of debt service)		
Medicaid	Figures in Millions	
General Fund Base FY 96	472.5	
FY 97	91.4	Transfer \$50 million in General Fund from the Department for Mental Health and \$30 million from the Cabinet for Families & Children to leverage Medicaid funds to pay for services in those two agencies which had previously been 100% General Fund (costing \$24 million in state funds, \$80 million in total funds), resulting in a net increase of \$56 million new state dollars (\$187 million total funds) in Medicaid to pay for ongoing Medicaid program costs. \$12 million added to offset the loss of provider tax due to the beginning of the phase out over 4 years of the provider tax on physicians.
FY 98	156.1	Same as above, except \$25 million was added to offset the loss of provider tax due the continued phase out of the provider tax on physicians and add \$51 million to cover ongoing program growth.
FY 99	7.4	Increase General Fund by \$7.4 million including \$13.9 million in General Fund to continue the phase out of the provider tax on physicians. Assumes managed care savings of \$122 million total funds and precapitation costs of \$165 million to pay out final fee for service claims as regions transition to managed care (use non-recurring restricted funds to fund payout costs). \$2.5 million state funds(\$8.3 million total) to provide substance abuse services to pregnant women, and crisis stabilization units for mentally ill adults and children.
FY 00	31.0	Same as above plus \$15.8 million to complete the phase out of the provider tax on physicians and \$5.0 million to begin the phase out of the provider tax on pharmacy. \$2.8 million for program growth. Managed care savings of \$180 million (total funds) is assumed.
FY 01	66.4	Includes General Fund of \$13 M for CHIP; \$13.5 M to complete the phase out of the provider tax on pharmacy; \$5 M for Supports for Community; \$1 M to develop new nursing home reimbursement methodology; \$3.2 M for increased dental reimbursement and \$470,000 for increases for optometrists; \$30 M for program growth.
FY 02	107.2	Same as above plus an additional \$5 M for Supports for Community Living (total of \$10 M General Fund) and an additional \$1 M for nursing home reimbursement; \$34.5 M for program growth
FY 03	3.3	For Supports for Community Living; cost containment actions assumed
FY 04	12.6	For Supports for Community Living and program growth.
Figures are not intended to total to FY 04 Base		
FY 04 Base	779.8	
Justice	Figures in Millions	
General Fund Base FY 96	283.1	Base adjusted for creation of Juvenile Justice and move of Juvenile Services from Cabinet for Families & Children to Justice Cabinet
FY 97	25.1	\$3.9 M for Trooper and other KSP staff pay increases; \$1 M for central lab, increased forensic costs statewide, Access to Justice and education for youth in custody; \$11.1 M for Corrections for 437 new beds in jails, use of private prisons, inmate growth, etc; \$9.1 M for Juvenile Justice consent decree
FY 98	42.2	\$4.4 M for KSP; \$1.7 M for Justice Admin; \$22.8 M for Corrections; \$13 M Juvenile Justice for purposes identified above and \$2 M current year appropriation for private child care costs

Appendix 5

		\$7.2 M for KSP for trooper and KSP pay increases and replace Road Fund with General Fund (\$5 M); \$500,000 for Access to Justice and \$217,000 for forensic services; \$18.5 M to Corrections for expanded jail beds and private prison beds, VINE, mental health staffing, correctional officer pay increases, additional probation and parole staff and pay increases, local jail per diem increase; \$6.8 M to Juvenile Justice for subsidies to counties, a 40 bed boot camp, prevention programs, an assessment center, a 12 bed treatment center for females and expanded day treatment hours.
FY 99	33.3	
FY 00	66.0	Same as above with additional GF to replace Road Fund in KSP.
FY 01	18.4	KSP- additional troopers, crime lab and information systems; Justice Admin-medical examiners office, Megan's law notification; Corrections-probation and parole career ladder, V-net, replacement of federal funds, operating and maintenance for previously authorized projects; Juvenile Justice-increased subsidies to counties, Youth Challenge program, operating funds for previously authorized projects.
FY 02	49.2	Same as above plus: KSP-additional vehicles; Corrections-expanded jail beds
FY 03	6.1	KSP-trooper salary increase; Toxicology lab; expanded jail beds, operating for previously authorized projects, sex offender treatment positions.
	13.7	Same purposes as above plus KSP-funds for crime lab.
	Figures are not intended to total to FY 04 Base	
FY 04 Base as Enacted	484.3	
	Figures in Millions	
Judicial		
General Fund Base FY 96	116.7	
FY 97	3.6	\$2.2 million for court operations; \$1.4 million for local facilities fund
FY 98	5.7	\$2.6 million for court operations; \$3.1million for local facilities fund
FY 99	4.7	\$4.3 million for court operations; authorization for 11 new county courthouses and a new/renovation pool for 7 counties--General Fund support deferred to 2000-2002 biennium.
FY 00	21.3	(see above) \$8 million for court operations; \$1 million for local facilities fund. Increase base funding for local facilities fund by \$12.2 million over the biennium
FY 01	2.5	\$2.5 million for court operations; authorization for 15 county courthouses with General Fund support deferred until FY 2002-2004 biennium
FY 02	15.7	(see above) \$3.4 million for court operations; increase local facilities base funding by \$12.3 million over the biennium
FY 03		
FY 04		
	Figures are not intended to total to FY 04 Base	
FY 04 Base as Enacted	210.9	
	Figures in Millions	
General Government		Figures exclude constitutional officers
General Fund Base FY 96	\$ 58.50	
FY 97	2.5	\$500,000 for additional staff positions for Commonwealth Attorneys; \$1.4 million to make 22 part-time Commonwealth Attorneys full-time; \$592,300 for new staff for County Attorneys and additional operating
FY 98	3.4	Same as above
FY 99	6.5	\$1.7 million for County and Commonwealth Attorneys; \$4.8 million to Department for Local Government (DLG) for statewide water supply, treatment & distribution inventory, Renaissance Kentucky and Joint Funding Administration (JFA);
FY 00	6.1	\$2.4 million for County and Commonwealth Attorneys; \$3.7 million to DLG

Appendix 5

		\$1.5 million to Commonwealth Attorneys for salary increases, converting part-time CAs to full-time, increases in the monthly expense allowance, exam fees for rape victim assistance fund. \$1 million to County Attorneys for salary increases, additional staff, increase assistant County Attorney salaries, increases in the monthly expense allowance. \$1.1 million for Veteran's Affairs for partial year operating expenses for the East and West Kentucky Veterans Nursing Homes, additional staff, etc. Local Government-\$1.5 million for the Knott County Arts & Crafts grant, the Richmond Arts Center, Trover Clinic and two staff for the local officials training program.
FY 01	5.1	
		\$1.9 million for Commonwealth Attorneys for purposes identified in FY 01; \$1.4 million for County Attorneys for purposes identified in FY 01. \$7.6 million for Veterans Affairs for full year operating costs associated with the opening of the East and West Kentucky Veterans Nursing Homes, additional staff in Central Office and Field Offices and funding for cemeteries. \$1.5 million to Local Government for the purposes indicated in FY 01.
FY 02	12.4	
FY 03		
		Figures are not intended to total FY 04 base
FY 04 Base as Enacted		Base excludes constitutional officers
Public Protection & Regulation	Figures in Millions	
General Fund Base FY 96	34.2	
FY 97	-1.1	
		\$457,000 PSC Building Debt Service; \$340,500 ABC Reorganization; \$350,000 to Racing Commission for Sponging of horses. \$1.1 Million in GF to replace restricted funds used in prior fiscal year.
FY 98	2.2	
		\$2,993,900 for Department for Public Advocacy (DPA) for juvenile defense services and capital post conviction program; \$705,000 for Mines and Minerals to purchase oxygen tanks for rescue teams.
FY 99	3.6	
		\$2.4 million for DPA for juvenile defense services and capital post conviction program
FY 00	2.4	
		\$273,000 for Claims/Crime Victims personnel & Computer System; \$4,022,000 for DPA to address Blue Ribbon Commission recommendations; \$1,055,700 Public Service Commission.
FY 01	5.35	
FY 02	5.7	Fund DPA Blue Ribbon Commission recommendations
FY 03	-3.5	Restricted Fund Substitution for GF
		\$200,000 GF to support Rape Victims Assistance Fund; \$700,000 for DPA for 2 new offices in Boone and Harrison Counties. \$2.7M General Fund substitution for restricted funds; \$130,000 for PSC Merchant Power Plant Program; \$1,509,600 for PSC Continuing Appropriation
FY 04	5.2	
		Figures are not intended to total FY 04 base
FY 04 Base as Enacted	52.6	
Health Services	Figures in Millions	
General Fund Base FY 96	202.3	Figures include debt service
		Mental Health: loss of \$27 million and agency fund replacement of \$50 million; add \$1.4 million for crisis stabilization units for the mentally ill, 1.3 million for mobile crisis response teams to serve persons with mental retardation, \$1.5 million to cover projected deficit in state operated personal care homes due to loss of some patients' SSI funding
FY 97	-22.8	
		1.5 million for crisis stabilization units, 1.7 for mobile crisis response, 1.5 M for personal care homes
FY 98	4.7	

Appendix 5

FY 99	17.15	Establish CHIP program \$13 million; \$16.45 million to Mental Health (\$10.5 million to replace lost disproportionate share payments as a result of the Federal Balanced Budget Act; \$800,000 for substance abuse treatment; \$900,000 for state operated personal care homes; \$350,000 for rape crisis centers, \$400,000 for supported housing, \$2 million for 250 new supported living slots). Public Health: \$700,000 for Homeplace Clinic
FY 00	19.15	CHIP \$13 million and other areas addressed above plus \$2 million to replace nonrecurring agency funds in Commission for Children with Special Health Care Needs
FY 01	11.73	Mental Health: 5.5 million each year for additional rape crisis, crisis stabilization, group home and First Steps support, \$935,000 for various community mental health needs statewide; Public Health: \$2 million for preventive health services, \$2 million for training and technical assistance to local health departments, \$930,000 for various community health projects statewide, \$200,000 for women's cancer screening, \$1 million for local health department food and sanitation programs; Aging: \$1 million for 100 additional personal care attendants.
FY 02	12.58	Same items as above with some increases.
FY 03		
FY 04		
Figures are not intended to total FY 04 base		
FY 04 Base as Enacted	306.2	
Postsecondary Education		
General Fund Base FY 96	Figures in Millions	
FY 97	783.6	Base adjusted for addition of Postsecondary Technical Education to KCTCS
FY 98	32.2	\$28 million to Institutions - base increase of 4.4%
FY 99	61.1	\$46 million to Institutions (\$22 during 1997 Special Session); Strategic Trust funds - \$16 million during 1997 Special Session.
FY 00	180	\$110 million Bucks for Brains from the Surplus Plan; \$17 million Strategic Incentive & Investment funds; \$14 million - 1st dose of Lottery funds to student financial aid; \$45 million to Institutions (6% increase); -\$6 million debt service in FY 99 less than 98
FY 01	-44.7	\$26 million to Institutions (3% increase); \$38 million for debt service (to fund \$340 million in capital projects); \$11 million additional-2nd dose of Lottery funds to student financial aid, including the first \$7 million to KEES; -\$110 million less due to funding Bucks for Brains in FY 99.
FY 02	158	\$120 million Bucks for Brains from the Surplus Plan; additional \$49 million for Institutions (6% increase); \$18 million additional for student financial aid; \$6 million additional for Strategic Incentive & Investment funds; \$6 million to start Ky Virtual University, -38 million for FY 00 debt services budgeted in Finance Cabinet
FY 03	-44.1	\$25 million for debt service (to fund \$227 million in capital projects); \$15 million additional for Institutions after budget cuts; \$15 million additional for student financial aid; \$14 million additional for Strategic Incentive & Investment funds, -
FY 04	-18.2	\$120 million less due to funding of Bucks for Brains in FY 01
		Budget cuts by 2003 General Assembly.
	42	\$20 million additional for Institutions; \$25 million additional for student financial aid; \$12 million additional for debt service (for \$120 million in Bucks for Brains).
Figures are not intended to total FY 04 base		
FY 04 Base as Enacted	1168.1	

Appendix 6

ESTIMATED AVERAGE SALARIES FOR TEACHERS IN SREB STATES

	Average Salary 2002-2003	2001-2002 to 2002-2003	Percent Change	
			1997-1998 to 2002-2003	1992-1993 to 2002-2003
United States	\$45,822	2.5	16.1	30.9
SREB states	40,771	2.2	18.2	36.0
SREB states as a percentage of nation	89.0			
Alabama	\$38,246	2.8	16.5	41.9
Arkansas*	37,753	4.8	19.5	37.6
Delaware	50,772	5.0	19.6	40.2
Florida	39,465	0.5	14.5	26.6
Georgia	45,533	3.3	21.2	51.5
Kentucky	38,981	2.7	12.6	25.3
Louisiana	36,878	1.5	22.6	41.3
Maryland	49,677	3.0	19.0	28.2
Mississippi	34,456	3.5	20.1	41.4
North Carolina	43,076	0.9	30.0	46.9
Oklahoma	34,854	0.3	13.6	34.5
South Carolina	40,362	1.1	19.8	38.1
Tennessee	39,677	3.0	12.3	37.0
Texas	40,001	2.0	17.2	33.6
Virginia	43,152	3.4	17.7	33.8
West Virginia	38,508	4.8	15.3	27.1

*Data estimated by the National Education Association

Source: National Education Association, *Rankings of the States and Estimates of School Statistics*, various years. The state departments of education in Louisiana, Mississippi and South Carolina.

Appendix 7
Current Six-Year Highway Plan Funding Status
(millions of dollars)
September 22, 2003
FY2003 -- FY2008

FUNDING CATEGORY	2003				2004			2005			2006			2007			2008			TOTAL		
	Fund Availability FY2003	2003 Federal Pre-allocated "Carryover"	6YP Project Authorizations	Availability Minus Usage FY2003	Fund Availability FY2004	6YP Project Authorizations	Availability Minus Usage FY2004	Fund Availability FY2005	6YP Project Authorizations	Availability Minus Usage FY2005	Fund Availability FY2006	6YP Project Authorizations	Availability Minus Usage FY2006	Fund Availability FY2007	6YP Project Authorizations	Availability Minus Usage FY2007	Fund Availability FY2008	6YP Project Authorizations	Availability Minus Usage FY2008	Fund Availability FY2002-2008	6YP Project Authorizations	Availability Minus Usage FY2002-2008
Fed. Appalachian Development (APD)	\$109.3	\$82.5	\$65.9	(\$39.1)	\$56.0	\$48.6	\$7.4	\$56.0	\$20.2	\$35.8	\$56.0	\$32.4	\$23.6	\$56.0	\$68.0	(\$12.0)	\$56.0	\$52.5	\$3.5	\$389.3	\$370.1	\$19.2
Fed. Bridge Replacement (On Fed. System) (BRO)	42.5	49.3	31.3	(\$38.1)	54.5	54.0	0.5	54.5	41.2	13.3	54.5	38.9	15.6	54.5	40.4	14.1	54.5	33.0	21.5	\$315.0	288.1	26.9
Fed. Bridge Replacement (On or Off Fed. System) (BRX)	15.0	3.5	11.9	(\$0.4)	17.2	32.2	(15.0)	17.2	16.3	0.9	17.2	16.6	0.6	17.2	10.8	6.4	17.2	13.9	3.3	\$101.0	105.2	(4.2)
Fed. Bridge Replacement (Off Fed. System) (BRZ)	11.3	4.5	9.4	(\$2.6)	13.0	17.1	(4.1)	13.0	9.3	3.7	13.0	7.8	5.2	13.0	7.1	5.9	13.0	9.5	3.5	\$76.3	64.7	11.6
Fed. Congestion Mitigation (CMAQ)	11.4	0.6	4.3	\$6.5	13.1	14.2	(1.1)	13.1	16.9	(3.8)	13.1	15.8	(2.7)	13.1	15.8	(2.7)	13.1	15.8	(2.7)	\$76.9	83.4	(6.5)
Fed. Forest Highway (FH)	1.3	0.0	1.7	(\$0.4)	1.3	1.1	0.2	1.3	0.5	0.8	1.3	0.5	0.8	1.3	0.5	0.8	1.3	0.5	0.8	\$7.8	4.8	3.0
Fed. Interstate Maintenance (IM)	97.6	84.9	105.1	(\$92.4)	112.0	121.4	(9.4)	112.0	80.5	31.5	112.0	96.1	15.9	112.0	113.1	(1.1)	112.0	96.4	15.6	\$657.6	697.5	(39.9)
Fed. National Highways (NH)	118.0	27.1	115.3	(\$24.4)	135.5	263.4	(127.9)	135.5	138.2	(2.7)	135.5	111.0	24.5	135.5	150.1	(14.6)	135.5	164.1	(28.6)	\$795.5	969.2	(173.7)
Fed. Rail-Highway Protection (RRP)	1.6	0.0	1.6	\$0.0	1.6	2.0	(0.4)	1.6	2.0	(0.4)	1.6	2.0	(0.4)	1.6	2.0	(0.4)	1.6	2.0	(0.4)	\$9.6	11.6	(2.0)
Fed. Rail-Highway Elimination (RRS)	1.6	0.0	1.6	\$0.0	1.6	11.3	(9.7)	1.6	7.2	(5.6)	1.6	4.0	(2.4)	1.6	4.0	(2.4)	1.6	4.0	(2.4)	\$9.6	32.1	(22.5)
Fed. Hazard Elimination (HES)	10.0	1.8	25.5	(\$17.3)	11.9	43.8	(31.9)	11.9	9.1	2.8	11.9	7.2	4.7	11.9	7.0	4.9	11.9	8.3	3.6	\$69.5	102.7	(33.2)
Fed. Surface Transportation-Louisville (SLO)	12.1	27.3	13.8	(\$29.0)	13.9	14.9	(1.0)	13.9	8.0	5.9	13.9	0.0	13.9	13.9	0.0	13.9	13.9	0.0	13.9	\$81.6	64.0	17.6
Fed. Surface Transportation-Lexington (SLX)	4.1	0.4	6.6	(\$2.9)	4.7	9.3	(4.6)	4.7	1.3	3.4	4.7	14.7	(10.0)	4.7	4.5	0.2	4.7	5.5	(0.8)	\$27.6	42.3	(14.7)
Fed. Surface Transportation-Northern KY (SNK)	4.6	1.0	17.6	(\$14.0)	5.3	13.7	(8.4)	5.3	18.1	(12.8)	5.3	0.0	5.3	5.3	10.7	(5.4)	5.3	4.2	1.1	\$31.1	65.3	(34.2)
Fed. Surface Transportation Program (STP)	130.3	47.4	123.7	(\$40.8)	149.6	370.0	(220.4)	149.6	114.1	35.5	149.6	176.8	(27.2)	149.6	161.5	(11.9)	149.6	168.7	(19.1)	\$878.3	1,162.2	(283.9)
Fed. Transportation Enhancement (TE)	12.9	5.9	15.8	(\$8.8)	14.8	14.5	0.3	14.8	14.5	0.3	14.8	14.5	0.3	14.8	14.5	0.3	14.8	14.5	0.3	\$86.9	94.2	(7.3)
High Priority Projects (HPP)	107.4	3.2	23.8	\$80.4	0.0	88.1	(88.1)	0.0	49.4	(49.4)	0.0	29.6	(29.6)	0.0	0.0	0.0	0.0	0.0	0.0	\$107.4	194.1	(86.7)
New Congressional Appropriations (KYD)	116.5	0.0	114.3	\$2.2	0.0	24.8	(24.8)	0.0	6.4	(6.4)	0.0	21.0	(21.0)	0.0	0.0	0.0	0.0	0.0	0.0	\$116.5	166.5	(50.0)
SUBTOTAL FEDERAL PROGRAM	807.5	339.4	689.2	(\$221.1)	606.0	1,144.4	(538.4)	606.0	553.2	52.8	606.0	588.9	17.1	606.0	610.0	(4.0)	606.0	592.9	13.1	\$3,837.5	4,518.0	(680.5)
State Bond Program * (BP)	0.0	0.0	0.0	\$0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	\$0.0	0.0	0.0
State Contingency (SC)	37.0	0.0	37.0	\$0.0	37.7	37.7	0.0	38.5	38.5	0.0	39.3	39.3	0.0	40.0	40.0	0.0	40.9	40.9	0.0	\$233.4	233.4	0.0
State Projects ** (SP)	119.1	0.0	380.5	(\$261.4)	110.0	724.6	(614.6)	158.3	391.1	(232.8)	163.9	573.9	(410.0)	182.2	84.2	98.0	172.7	11.9	160.8	\$906.2	2,166.2	(1,260.0)
SUBTOTAL STATE PROGRAM	156.1	0.0	417.5	(\$261.4)	147.7	762.3	(614.6)	196.8	429.6	(232.8)	203.2	613.2	(410.0)	222.2	124.2	98.0	213.6	52.8	160.8	\$1,139.6	2,399.6	(1,260.0)
GRAND TOTALS ***	\$963.6	\$339.4	\$1,106.7	(\$482.5)	\$753.7	\$1,906.7	(\$1,153.0)	\$802.8	\$982.8	(\$180.0)	\$809.2	\$1,202.1	(\$392.9)	\$828.2	\$734.2	\$94.0	\$819.6	\$645.7	\$173.9	\$4,977.1	\$6,917.6	(\$1,940.5)

*Leftover funds from the 1990 Bond Program.
***SP** funds available based upon predicted revised revenue estimates.
***Assumes no federal pre-financing beyond 2003, and subject to change depending upon actual reauthorization of federal transportation programs by Congress.

Appendix 8

Forecast/Actual

FY-2004 TRANSPORTATION CABINET CASH MANAGEMENT PLAN
MONTHLY CASH FLOW REPORT (Based on Projects Approved to date)
(in millions)

	Actual June 2003	Actual July 2003	Actual August 2003	Actual Sept. 2003	Projected									Total 2004
Cash Inflows:														
Beginning Balance	401.1	303.3	227.9	165.2	162.5	108.1	89.6	14.3	21.7	35.8	51.2	78.7	108.8	
Monthly Receipts	<u>189.8</u>	<u>126.1</u>	<u>172.2</u>	<u>158.8</u>	<u>157.7</u>	<u>143.8</u>	<u>116.4</u>	<u>119.2</u>	<u>107.1</u>	<u>118.5</u>	<u>132.9</u>	<u>132.4</u>	<u>128.0</u>	1,613.1
Total Available Cash	590.9	429.4	400.1	324.0	320.2	251.9	206.0	133.5	128.8	154.3	184.1	211.1	236.8	
Cash Outflows:														
Non-6YP Expenditures*	(185.6)	(117.0)	(85.1)	(57.7)	(81.8)	(63.2)	(117.2)	(55.5)	(48.0)	(38.7)	(45.4)	(42.9)	(161.5)	(914.0)
Available Cash Balance for Hwy Projects	405.3	312.4	315.0	266.3	238.4	188.7	88.8	78.0	80.8	115.6	138.7	168.2	75.3	
Estimated Expenditures on P.A. Projects**	<u>(102.0)</u>	<u>(84.5)</u>	<u>(149.8)</u>	<u>(103.8)</u>	<u>(130.3)</u>	<u>(99.1)</u>	<u>(74.5)</u>	<u>(56.3)</u>	<u>(45.0)</u>	<u>(64.4)</u>	<u>(60.0)</u>	<u>(59.4)</u>	<u>(59.8)</u>	(986.9)
Revised Net Cash Balance	303.3	227.9	165.2	162.5	108.1	89.6	14.3	21.7	35.8	51.2	78.7	108.8	15.5	

Estimated Cash Range***:														
	Low				108.0	90	14	22	36	51	79	109	16	
	High				125.0	120	57	77	95	128	161	182	90	

* Non-6YP Expenditures include: GA&S, Maintenance, Revenue Sharing, Vehicle Regulation, Highway Operations, Debt Service, Resurfacing, Other Construction, Capital Construction and Other State Agencies

** Estimated Expenditures on Previously Authorized Projects are based on the Project Managers Current Estimate

*** The Cash Range Results from Employing 2 Methodologies for Estimating Highway Project Expenditures
1. Project Manager Estimates and 2. Historical Expenditure Patterns

Appendix 8

Forecast/Actual

FY-2005 TRANSPORTATION CABINET CASH MANAGEMENT PLAN
MONTHLY CASH FLOW REPORT (Based on Projects Approved to Date)
(in millions)

	Projected													
	June 2004	July 2004	August 2004	Sept. 2004	Oct. 2004	Nov. 2004	Dec. 2004	Jan. 2005	Feb. 2005	March 2005	April 2005	May 2005	June 2005	Total 2005
Cash Inflows:														
Beginning Balance	108.8	15.5	(28.6)	(20.2)	(17.1)	(21.4)	3.2	(35.2)	(12.5)	18.2	72.3	119.0	174.8	
Monthly Receipts	<u>128.0</u>	<u>114.1</u>	<u>131.6</u>	<u>96.8</u>	<u>107.9</u>	<u>112.4</u>	<u>88.4</u>	<u>101.6</u>	<u>95.1</u>	<u>104.1</u>	<u>106.9</u>	<u>116.6</u>	<u>110.3</u>	1,285.8
Total Available Cash	236.8	129.6	103.0	76.6	90.8	91.0	91.6	66.4	82.6	122.3	179.2	235.6	285.1	
Cash Outflows:														
Non-6YP Expenditures	(161.5)	(111.3)	(85.9)	(61.1)	(82.5)	(63.6)	(107.1)	(61.4)	(48.2)	(36.7)	(44.3)	(45.0)	(131.8)	(879.8)
Available Cash Balance for Hwy Projects	75.3	18.3	17.1	15.5	8.3	27.4	(15.5)	5.0	34.4	85.6	134.9	190.6	153.3	
Estimated Expenditures on P.A. Projects	<u>(59.8)</u>	<u>(46.9)</u>	<u>(37.3)</u>	<u>(32.6)</u>	<u>(29.7)</u>	<u>(24.2)</u>	<u>(19.7)</u>	<u>(17.5)</u>	<u>(16.2)</u>	<u>(13.3)</u>	<u>(15.9)</u>	<u>(15.8)</u>	<u>(22.1)</u>	(469.7)
Revised Net Cash Balance	15.5	(28.6)	(20.2)	(17.1)	(21.4)	3.2	(35.2)	(12.5)	18.2	72.3	119.0	174.8	131.2	

Estimated Cash Range:														
Low	16	-29	-20	-17	-21	3	-35	-13	18	72	119	170	121	
High	90	42	39	33	18	31	-11	12	41	87	132	175	131	